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FISCAL IMPACT STATEMENT

LS 6981

BILL NUMBER: HB 1315

NOTE PREPARED: Jan 8, 2012

BILL AMENDED:

SUBJECT: Choice Scholarship Funding.

FIRST AUTHOR: Rep. Truitt

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: *Tuition Support Cash Flow:* This bill provides for an advance distribution of State Tuition Support to school corporations in the first six months of a year to eliminate the effect of fiscal year and calendar year limits on distributions. It makes an appropriation for the advance.

Maximum Choice Scholarship Distribution: The bill limits the amount of Choice Scholarships to the amount that state tuition support payments are reduced by the transfer of students from a school corporation or charter school to a private school.

Effective Date: July 1, 2011 (retroactive); January 1, 2012 (retroactive).

Explanation of State Expenditures: *Tuition Support Cash Flow:* The bill could increase the state tuition support expenditures for FY 2012 and decrease it by a corresponding amount in FY 2013. The amount of the advance is limited to the Choice Scholarship grant for FY 2012 minus half of the tuition support savings that are realized in CY 2012. The tuition support savings result from students leaving public schools and attending Choice Scholarship schools. It is estimated that the Choice Scholarship grants are \$16 M for FY 2012 and the tuition support grant savings from students leaving a public school the prior year to attend a private school is \$20 M for CY 2012. The maximum advance would be \$6 M [$\$16 \text{ M} - (\$20 \text{ M} \text{ divided by } 2)$].

The Choice Scholarship program began in the fall of CY 2011. Students transferred to private schools in the fall of CY 2011, but were not accounted for in the funding formula until CY 2012. Since the first year of savings from the scholarship students that is actually realized in the funding formula straddles two fiscal

years, the expenditures for the Choice Scholarships that occurred in the first six months of FY 2012 (i.e., the last six months of CY 2011) could result in the tuition support appropriation hitting the FY 2012 appropriation. Without the additional appropriation authority given in this bill, tuition support for all schools could be reduced if the distribution of tuition support and scholarship funds are more than \$6.26 B in FY 2012. The following table outlines the timing issues regarding balancing the expenditures and savings from these grants.

	CY 2011		CY 2012		CY 2013	
Savings (Reduced Expenditures)		Choice students transferred to private schools, but still counted in tuition support formula	Savings actually realized in funding formula \$10 M	Savings actually realized in funding formula \$10 M	Savings actually realized in funding formula \$20 M	Savings actually realized in funding formula \$20 M
Appropriation Transfer			+ \$6 M	(\$6 M)		
Choice Scholarship Grant Actual Expenditures		\$8 M	\$8 M	\$16 M	\$16 M	
		FY 2012		FY 2013		

The procedure would be the same for FY 2013. The amount of the advance is limited to the school formula savings in the second six months of the calendar year from the students that attended public school the year before and now receive a Choice Scholarship. The CY 2013 scholarship estimates above are for illustrative purposes and assume a doubling of scholarship grants.

The advance would only be necessary if the appropriations for FY 2012 or FY 2013 were less than the required expenditures for the tuition support appropriation.

Maximum Choice Scholarship Distribution: The bill also limits the Choice Scholarship grants to the amount of tuition support that would have been paid for students who attended public schools in the prior year but attend a private school in the following year. The bill could impact Choice Scholarship grants if the grants exceed the tuition support savings. This provision will have no impact in FY 2012 or FY 2013 since the tuition support savings are estimated to exceed the cost of the grants.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: See *Explanation of State Expenditures*.

State Agencies Affected: Department of Education.

Local Agencies Affected: Local schools.

Information Sources:

Fiscal Analyst: Chuck Mayfield, 317-232-4825.